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Colombia Forestry Development Program

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CFDP Quarterly Progress Report: First Quarter 2004

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Submitted by:
Chemonics International Inc.

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Experimental agroforestry plot in Tumaco containing laurel, plantains and cocoa.

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CFDP QUARTERLY REPORT: JANUARY – MARCH 2004

I. Executive Summary

During the quarter, the technical team negotiated the third CONIF subcontract and in March it was finalized and made effective. In addition, the WWF subcontract was in final negotiations. In the course of those negotiations, CFDP defined key activities that would take place during the regional diagnostics and the roles and responsibilities for the policy work.

In preparation for the regional diagnostics, CFDP sponsored a forest inventory workshop and evaluated Colombian geographical information systems. They also developed a preliminary design of the socio-economic diagnostic and selected a national sub-contractor to carry out the survey work and analysis.

In the plantation areas, the technical team continued to make key contacts and has begun to arm investment projects. In Urabá, the program has begun designing an investment plan with the banana industry. In Bajo Magdalena, CFDP signed an *Acuerdo de Voluntades* with large regional plantation owners. In Northeastern Antioquia, the technical team began designing an investment strategy for a high-tech transformation center.

In addition, the program advertised its Annual Program Statement (APS) and received and reviewed 41 proposals. Two proposals were selected to continue on into the next round.

The program continued to move forward with its Environmental Assessment. The team has drafted a first draft and discussed its findings with the technical team.

Key Objectives for Next Quarter

During the next quarter, CFDP will accomplish several key activities. First, it will finalize the subcontract with WWF. Second, it will begin its diagnostic activities in the four regions in forest management, processing and transformation and marketing. The SIG work, for both the CFDP nuclei and the Plan Colombia *Familias Guardabosques* nuclei will be completed. Third, it will design and implement a pilot project with *Familias Guardabosques* in Urabá. Fourth, the new Chief of Party will be confirmed and under his direction the program will develop and finalize necessary restructuring and submit a revised Work Plan to USAID. Fifth, CFDP will develop an effective communications strategy for all facets of the program.

II. Background

In August, 2003, USAID awarded the three-year \$22.7 million Colombia Forestry Development Program (CFDP) to Chemonics International. The program will expand the production of marketable and profitable forest products that will increase incomes throughout the forestry sector and provide alternative sources of income to the rural communities where forestry activities are centered. An increase in profitable activities in the forest sector will serve to draw people away from illicit activities.

CFDP will assist in developing a viable commercial forestry sector and in catalyzing development efforts in four rural forestry clusters that offer reasonable access to markets, forest sector support services and production chains. Assistance will focus on connecting sustainable production chains to domestic and international markets. Local assistance will be provided by the *Corporación Nacional de Investigación y Fomento Forestal* (CONIF) and the World Wildlife Fund, among others.

The CFDP clusters will be centered in Bajo Magdalena, Bajo Atrato-Urabá, the Pacific Coast of Nariño and Northeastern Antioquia. The regions were selected because they contain considerable forest resources, suffer from increasing cultivation of illicit crops and have a defined market for forest products.

Program activities will focus on four components:

1. **Forest Policy:** CFDP will improve knowledge about constraints imposed on the commercial forestry sector because of inadequate and inappropriate policies and will work to correct those policies.
2. **Plan Colombia:** CFDP will assist Plan Colombia in making its *Familias Guardabosques* program more sustainable and effective.
3. **Improved Forest Product Production Chain:** CFDP will provide assistance to all segments of the forestry production chain to improve conversion efficiency and utilization of raw materials. The assistance will involve improved management of plantation and natural forests, including the establishment of industrial plantations in the four clusters; identification of transportation constraints and development of methods to overcome those constraints; improved conversion of raw materials to market products; and enhanced partnering among all links in the production chain. CFDP will capitalize on market conditions and opportunities in the forestry sector including international markets and standards, domestic markets and standards, and non-traditional markets such as “certified wood” and CO₂ sequestration credits.
4. **Commercial Forestry Development Fund:** CFDP will also provide additional assistance to support viable and responsible commercial forestry incentives outside the four clusters.

Significant program results include establishing 15,000 hectares of industrial plantations, managing 140,000 hectares of natural forest, establishing 11,000 hectares of agro-forestry, creating 3,000 new jobs and benefiting 3,000 families.

III. Improved Forest Policy

A. Working Group

Since February, CONIF and WWF have held policy working group meetings to organize their policy planning. In these meetings, WWF and CONIF have divided the program’s policy areas according to their draft subcontracts. CONIF will act as the policy lead on most issues. They will focus on commercial forestry regulation, incentives studies, the new forestry law and the certification process. WWF will support CONIF in certification, the new forestry law, incentives

studies and specifically analyze and formulate recommendations on implementing the property rights of indigenous and Afro-Colombian forest communities.

CONIF and WWF have jointly decided on the methodology for the policy evaluations and have begun identifying consultants for the finance and incentives studies.

B. Forestry Law

In addition, CONIF and WWF began reviewing the several working versions of the forestry law. They have been working closely with the proponents of several of the drafts to try to incorporate the private sector's view point and consolidate the several drafts into a definitive legislative proposal.

C. CONIF Deliverables

CONIF began working on their first policy deliverables. This included a working chronogram of all their program activities and an evaluation of forestry policy. The working chronogram was received at the end of the quarter and is expected to be approved during the next quarter. The forest policy evaluation will be received and approved in the next quarter.

D. WWF Contract

WWF is also hiring key personnel in policy to fulfill their contractual requirements. The WWF subcontract will be signed in the next quarter.

E. Workshop on Forestry Incentives

The CFDP team attended a seminar given by the Ministry of Environment. The workshop focused on conservation incentives for natural forests, protection of watersheds and projects in Latin America involving payment for environmental services such as CO₂ sequestration. CFDP forged key contacts with the implementers of these programs.

F. Consejo Consultivo

CFDP convened its first *Consejo Consultivo* meeting in which it presented its advances and plans for the next quarter. Representatives from WWF, CONIF, DNP, Plan Colombia, the Ministry of Agriculture and the Ministry of Environment, USAID and private sector attended. The *Consejo* recommended that CFDP improve their communications with members and utilize them as a sounding board for complex strategic decisions. It was agreed that CFDP would produce short position papers covering strategic issues for the next meeting. CFDP will hold its next *Consejo* meeting in mid-May.

G. Evaluation of CARs

The Environmental Assessment team met with a variety of regional autonomous corporations (CARs) to gauge their ability to adequately administer and regulate forest resources. The team met with Corpourabá (Urabá), Corponariño (Nariño), Codechocó (Chocó), Corpamag (Magdalena) and Cordique (Cartagena). They found that in general the CARs lacked the budget,

personnel and training to adequately supervise forestry activities in Colombia. Most CARs do not engage in fieldwork and the analysis they provide of management plans is hampered by their lack of field experience and technical knowledge. While this is undoubtedly true, CFDP remains committed to strengthening the CARs' technical knowledge, field experience and involvement in critical program approvals.

IV. Support to Plan Colombia

At the invitation of Plan Colombia, the CFDP technical team traveled to the *Familias Guardabosques* cluster in Turbo/Necoclí to investigate co-investment opportunities. They identified a possible pilot project that would emphasize business skills development in forestry and utilize the *Familias Guardabosques* payments as seed capital. Early research indicates that the Urabá area is likely to be one of the most feasible places to attempt a joint project, and that starting there will maximize the chances of delivering an early success and demonstration of the benefits of adopting more sustainable approaches to the *Familias Guardabosques* program.

During the next quarter, senior management and a team of experts will design the program's Plan Colombia's *Familias Guardabosques* strategy. In addition, CFDP will contract out and deliver the geographical mapping of the *Familias Guardabosques* areas.

V. Improving Forest Products Production Chains

A. National

A.1 CONIF Subcontract

The CONIF subcontract was finalized and made effective in March. Major readjustments included outsourcing the socio-economic diagnostic and the mapping activities to AAIC and Alvaro Castañeda respectively. CFDP participated closely in the selection of the national coordinator. After interviewing several applicants, Gerardo Lozano was selected.

A.2 WWF Subcontract

Most of the negotiations on the WWF subcontract were completed by the WWF Washington office and the Chemonics home office. The negotiations were complicated by WWF's extended vacations through January and their delayed response to requests for draft work plans. The subcontract will be made effective next quarter.

A.3 Regional Diagnostics

During the quarter the regional diagnostic strategy changed. CFDP will continue to pursue forest inventories and plantation studies to determine the available wood volumes and judge whether forestry activities will be sustainable. However, new emphasis has been given to the transformation, processing and marketing links in the chain. While the forest management studies will determine the quality and availability of raw materials, the transformation and processing link will examine regional sawmills to determine the quality of their raw material, locate their primary markets and examine their processing methods. In conjunction with the

transformation and processing link, CFDP will carry out studies of secondary markets, such as furniture producers, the construction industry and niche markets to determine the best marketing strategy for each chain. These activities will be initiated during the next quarter.

The socio-economic diagnostic will be implemented once the forestry production chains have been completely analyzed and CFDP judges that conditions are propitious for development. The socio-economic diagnostic will collect key information on forestry communities in the four regions. The technical team developed a Scope of Work for the socio-economic diagnostic in January and developed draft contents. In addition, they selected Agricultural Assessments International Corporation (AAIC) to carry out the necessary survey work and analysis. Due to the new strategy, the socio-economic diagnostic will be the last survey work undertaken. Once a decision is made to work in each production chain, the communities will be analyzed and final implementation strategies will be finalized. This is expected to occur during the fourth quarter of 2004 (July-September).

A.4 Forest Inventories

Forest inventory specialist Freddy Contreras spent several weeks in Colombia familiarizing himself with tropical forests and the techniques most commonly used in forest inventories. He held an inventory workshop in Urabá for regional CARs, CONIF's regional coordinators and WWF staff. It is expected that Freddy will spend significant time in Colombia next quarter to supervise the forest inventories.

A.5 Securitization

The technical team met with investment banker, Luis Gallo, to discuss the possibility of securitizing forestry projects. He stated that long-term investment in agricultural projects was a new venture in Colombia and that the past performance and weak credibility of the forestry sector make their projects risky candidates for securitization. The technical team is planning on bringing in a finance expert to evaluate some of the investment projects in Bajo Magdalena and Northeastern Antioquia.

A.6 Environmental Assessment

Bruce Kernan and his Environmental Assessment team initiated their review of environmental regulations and the program's expected impacts. The EA team presented their initial findings to the technical team, it was discovered that most of the project's expected actions will have a non-existent or positive environmental impact. The team will present its findings to USAID and complete the Assessment during the next quarter.

A.7 Geographical Information Systems (GIS)

CFDP consultant Ignacio Martinez investigated Colombia's GIS capacity and found that the systems are nascent and information is hard to obtain from government agencies. In addition, information is not available for all parts of the country and is particularly spotty in the remote areas of CFDP's four nuclei. However, by crossing the various databases CFDP will obtain a good approximation.

B. Bajo Atrato - Uraba

B.1 Banana Industry

The technical team had several meetings with Augura, the banana *gremio* and key exporters such as Proban, Banacol and Uniban. The banana industry consumes 500.000 tons of wood per year and is currently bringing in wood from all over the country. CFDP has suggested that the banana growers invest in establishing a wood industry in Urabá that would meet their wood and fiber needs and also provide an added source of employment and income from value-added sawmill activities. The higher value products could be exported from their ports or routed to the national market. The secondary products can be used to meet their high demand for pallets and paper. CFDP has promoted this idea with key actors and obtained their support. During the next quarter, CFDP will fund a feasibility study and provide technical expertise.



Native species extracted from secondary forests near *Familias Guardabosques* project in Urabá.

B.2 Cacarica Natural Forest Area National

CFDP also engaged in an over flight of the nucleus, focusing on the Cacarica natural forest area. The visual survey indicated that the Cacarica's natural forest area lacked mature, high value trees due to over-harvesting. If most of the trees are indeed gone, this means that commercial forestry is not a viable option. This issue will be settled with the results of the forest inventory planned for next quarter. Additional legal and sociological complications were also discovered. For instance, the entire population of Cacarica has been displaced to Turbo and the Colombian Constitutional Court has ruled that forestry activities in Cacarica are illegal until the two groups reach an agreement regarding how they will manage the forest. If the forestry inventory confirms that the forest indeed lacks the necessary critical mass to support a viable harvesting effort, Cacarica may be removed from the program.

B.3 Indigenous Organization of Antioquia (OIA)/PRODES

The technical team had several meetings with OIA on their forest areas. At the invitation of PRODES, an association of wood manufacturers and furniture producers, the OIA elders came to Medellín to engage in a tour of wood transformation centers. They were surprised at the value added given to their timber and are now fully committed to establishing a wood transformation center close to their forests. Additionally, they have realized that they can no longer sell their wood for such low prices without providing some added value. The technical team expects that OIA and PRODES will move forward quickly with the transformation center feasibility study during the next quarter.

C. Pacific Coast of Nariño and Guapi

C.1 Regional Meetings

CONIF's regional coordinators have been holding meetings with the local *consejos comunitarios* to discuss the program and forestry basics. Their efforts have been hampered by a lack of promotional materials and clear communications methodologies. During the next quarter, the Medellín office will generate both the materials and the methodology.

C.2 Other Regional Projects

Additionally, members of the technical team met with the *consejos comunitarios* to discuss current agroforestry project in the area and its results. It was found that current projects, funded by Holland and the United Nations, fund a higher percentage of program activities than currently contemplated by CFDP.



Nursery for the experimental agroforestry plot in Tumaco.

D. Bajo Magdalena

D.1 Acuerdo de Voluntades

CFDP held several meetings with major industrial plantation owners to interest them in project activities. Pizano, Refocosta, Madeflex and RESS all signed an *Acuerdo de Voluntades* in which they formed a regional working group with CFDP. The working agreement promotes three main goals: 1) identify and understand opportunities in national and international markets for the clusters and individual businesses, 2) identify actions that maximize the profitability of industrial investments and existing plantations in the short term and 3) evaluate possible development scenarios in the medium and long run. Other involved actors included CONIF, Cormagdalena, the Ministry of Agriculture and USAID.

D.2 Log Grade Standards

CFDP began developing log grade standards for several commercial species. Grading trees involves cutting down samples, observing their characteristics and developing quality guidelines. During the course of the next quarter, log grades will be developed and finalized for melina, *ceiba roja*, teak and eucalyptus. Log grade standards allow producers to judge the value of their standing trees and market their products accordingly. These guides will increase the profits plantation owners receive for their trees and improve their investment portfolio.



Samples of melina used to develop the log grade standards. Melina 1 is grade three.



Melina 2 shows significant interior damage.



Melina 3 shows a relatively healthy specimen.

D.3 Possible Reforestation Projects

The technical team traveled to Bajo Magdalena in late March to discuss two possible reforestation projects. The local CAR, *Corporación Regional del Atlántico* (CRA) has proposed a forestry fund in which medium-sized landowners would reforest and better supply the regional market. Additionally, private sector guru Carlos Murgas has proposed a consortium formed by large regional plantation owners in which they would pool their tax refunds and begin a forestry operator that would improve production techniques and interest new regional investors.

E. Northeastern Antioquia

The technical team made several trips to Yolombó and Barbosa to evaluate the region's aptness for forestry and its traditional agricultural products. They also evaluated pine and eucalyptus nurseries and trial plots. The technical information, which included wood volumes and regional capacity, will be used to generate a feasibility study for a state-of-the-art transformation center. The transformation center will utilize new technologies in classification techniques, wood drying and value-added transformation. If the new transformation center is successful, it will stimulate the regional investment in plantations and the successful business model necessary to encourage third party investment, especially through securitization.

VI. Commercial Forestry Development Fund

During the quarter CFDP brokered several meetings between Fedemaderas in Bogotá and Fedemadera in Medellín. The original idea was to fuse the two entities into a single national association. However, as the talks progressed slowly and the association that emerged was clumsy, CFDP changed its strategy and has now decided to support Fedemaderas in Bogotá. As the national *gremio*, Fedemaderas will provide technical support to the regional associations, but will represent the industry on a nation-wide level.

During the next quarter, CFDP will hire an international consultant to structure the association, draft its by-laws and define its national scope. However, that process has been postponed as CFDP is trying to obtain a concurrence in principle from USAID that would permit them to work with them based on a sole source justification. Once the issue is resolved, CFDP will initiate work with the consultant.

VII. Progress Toward SO2 Goals

At the close of this quarter the program had several significant sub-contracts pending signature. CFDP will most likely begin contributing to SO2 goals during the next quarter.

VIII. Program Management and Support Activities

A. New Chief of Party (COP)

During the quarter, COP Jack Riggin left the program and Chemonics hired Vincent Ruddy as Interim COP. USAID approval of Ruddy will be requested during the next quarter.

B. Grants and Contracts

CFDP publicized its *convocatoria* on February 8. On March 6, members of the technical reviewed the first round of proposals. Out of the 41 proposals received, 2 were selected to continue into the second round. These proposals will be developed during the next quarter.

During the last quarter, CONIF had three contacts active. They cover the planning process (CONIF1), personnel (CONIF 2) and their activities through September 2004 (CONIF 3). CFDP has disbursed a total of \$225,763,813 Colombian pesos (approximately \$87,000) to date.

The first WWF subcontract dealing with planning has been completed executed and CFDP has paid them its full value, \$21,673. The second WWF contract will be signed in the next quarter.

The grants manual was drafted during the quarter and is still under review. The approvals matrix was approved by USAID's Contracting Officer on February 13.

C. Work Plan

The project's Life of Project Work Plan was submitted to USAID on January 30, 2004.

D. Monitoring and Evaluation

The program indicators were approved in conjunction with the Revised Work Plan. The database design and training for subcontractors remain pending for the next quarter.

E. Communications

The program's logo has been created and local email services have been procured. The new email addresses are included in Annex B and the logo has been sent to the CFDP CTO. The website has yet to be developed.

A team-building and communications workshop was held on February 12-13. CFDP invited participants from CONIF and WWF in order to strengthen existing working relationships for the initiation of program activities.

During the next quarter, Home Office Communications Expert Jerome Gutzwiller will develop a communications strategy for the entire program and locate local experts. This strategy will focus on communication with: 1) USAID, 2) counterparts, 3) key forest policy actors, 4) forestry communities, 5) the general public and 6) knowledge sharing between CFDP implementers.

F. Personnel

CFDP welcomed two additional administrative staff during the past quarter. Betzabeth Rubio will act as the Grants Assistant to Marjorie Lewis. Angela Rodriguez was hired as the Receptionist under Silvia Arbeláez.

G. New Office

During this quarter, CFDP finished renovating its office space in the Xerox building. The entire team has now transferred to the new offices. The contact information is:

Programa Colombia Forestal
Edificio Xerox
Carrera 43A No. 15 Sur-15 Of. 301
Medellín, Antioquia
Tele. (4) 313 92 99
Fax (4) 313 25 96

A new roster of staff members and contact information, including telephone extensions, and an updated personnel cascade can be found as Annex B and C to this report.

In addition, CFDP also signed a contract for additional office space in adjoining Office 302. Renovations will begin during the next quarter.

H. Personnel Manual

During the quarter Chemonics developed a personnel manual and submitted it to the *Revisor Fiscal* for review. The manual will standardize Chemonics personnel policy in Colombia, for CFDP as well as CAD.